

BOLIVIAN CUSTOMS REFORM AND MODERNIZATION PROJECT

(BO-0159)

EXECUTIVE SUMMARY

Borrower and guarantor:	Republic of Bolivia	
Executing agency:	Aduana Nacional de Bolivia (Bolivian Customs Administration)	
Amount and source:	IDB (FSO):	US\$5.00 million
	Local:	US\$1.25 million
	Total:	US\$6.25 million
Financial terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	48 months
	Interest rate:	1% for 10 years, 2% thereafter
	Inspection and supervision:	1%
	Credit fee:	0.50%
Objectives:	<p>The project's general objective is to support and finance the reform and modernization of the Bolivian Customs Administration (ANB), to strengthen this agency's institutional capacity and generate more revenue for the treasury.</p> <p>Specific objectives are to:</p> <ol style="list-style-type: none"> Assist the Bolivian government in implementing, administering and enforcing the new Customs Act, particularly as regards the court system. Support the development and implementation of a computer system for Customs operations and the adaptation of operating procedures to expedite Customs clearance of imports. Strengthen the goods-valuation area in conformity with the Valuation Code of the World Trade Organization (WTO), and strengthen the ANB Compliance Control area. Support the establishment of an ANB Ethics Office. 	

Description:	<p>The project the Bank would fund by way of the loan proposed here is part of the Bolivian Customs Reform and Modernization Program (PROMA) described in the first chapter of the proposal that follows. It would have five components: (i) a system of <i>Customs Tribunals</i>, to help ANB set in place the Customs jurisdiction system prescribed in the Customs Act and produce rules and regulations mandated by that law; (ii) <i>compliance control</i>, to improve yields and efficacy of ANB post-import checks; (iii) a <i>computer system</i> for Customs administration, entailing support for maintenance and migration of the current system plus adaptation of a new automated system to meet the needs of Bolivia's Customs system; the new system has been chosen after a thorough assessment by independent consultants selected by the World Bank in coordination with the International Monetary Fund and the IDB; (iv) <i>valuation of goods</i>, to better equip ANB to perform that function in conformity with the WTO Valuation Code and make it easier for commercial operators to fulfill value-declaration requirements for their goods; and (v) establishment of an ANB <i>Ethics Office</i> to provide guidance to ANB staff on standards of conduct.</p>
The Bank's country and sector strategy:	<p>In its strategy for operations with Bolivia the Bank is supporting the government's efforts to reduce poverty, fostering sustained growth. The three strategy focuses are: (i) economic growth and creation of opportunities; (ii) human capital development and access to basic social services; and (iii) support for governance and consolidation of reforms. The project proposed here is in line with this strategy, as it is expected to have an impact on two pillars of the government's program: the <i>institutional apparatus</i>, by way of in-depth reforms of the Customs Administration that began with passage of the Customs Act, and <i>opportunity</i>, by furthering economic growth and the opening of opportunities. One outcome sought through the reform is increased revenues from foreign-trade levies, to generate more money to pay for public services. Making the Customs system run more efficiently and curbing contraband will enhance the climate for investment and fair trading.</p>
Environmental and social review:	<p>According to the review by the Bank's Committee on Environment and Social Impact, the project would have no significant adverse effect on the environment, and would produce social benefits. Social gains would take the form of more transparent Customs operations, less corruption, higher National Treasury revenues, and hence more funds available for the country's other priority investment programs (paragraph 4.7 of the proposal).</p>

Benefits:	<p>The project's principal benefits will be increased Customs revenues, giving Bolivia more money to pay for other priority investment programs; a more attractive climate for private investment when unfair competition is reduced and trade controls are improved; and less corruption, which will enhance the country's image at home and abroad.</p>
Risks:	<p>The chief risk in previous cooperation initiatives was political input into Customs decision-making and operations. The result was arbitrary appointments of Customs agents who had no technical training and no incentives to perform their work with integrity in a permissive environment. The commitment worked out across the political spectrum and the new Customs Act have paved the way for an end to undesirable practices, so Bolivia can build a Customs Administration staffed by qualified officers, selected by reference to objective, technical criteria and paid decent salaries. Actions taken to follow through on these expectations will be monitored throughout the program, this being a prerequisite for continued financing for the planned activities.</p>
Special contractual conditions:	<p>Before project funds may be disbursed, the executing agency would have to demonstrate to the Bank's satisfaction that: (a) the subsidiary agreement between that agency and the Ministry of Finance has entered into effect, setting out terms and conditions for transfer of the loan proceeds (paragraph 3.2); (b) the Program Executing Unit has been set up and four consultants have been hired to staff it (paragraph 3.11); (c) two consultants have been engaged to support the computer-system activities (paragraph 3.12); and (d) the annual operating plan for 2000 has been presented as part of the initial report on the project (paragraph 3.14).</p> <p>As a condition for disbursement of funds for the computer-system component, the executing agency must demonstrate to the Bank's satisfaction that the contract that agency signed with the United Nations Conference on Trade and Development (UNCTAD) has entered into force, in conformity with terms and conditions agreed upon in advance with the Bank (paragraph 3.13).</p> <p>As one special contractual condition relating to the project's execution, during the second half of each calendar year throughout the life of the project (at least 60 days before the year-end) the executing agency is to submit, to the Bank's satisfaction, the annual operating plan for the following year (paragraph 3.15).</p>

As a further special condition, it is recommended: (a) that US\$302,000 in retroactive financing be approved for expenditures incurred against the Bank's financing as from February 1, 2000; and (b) that up to US\$75,500 be recognized for expenditures incurred against the local counterpart as from February 1, 2000. It has been verified that Bank procedures were adhered to in procuring the goods and services (paragraph 3.27).

Poverty-targeting and social sector classification:

This operation does not qualify as a social equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

Exceptions to Bank policy:

See "Procurement" below.

Procurement:

As an exception to the established procedure that requires open calls for proposals for consultant selection, it is recommended: (a) that UNCTAD be hired directly to install the SIDUNEA++ computer system, by virtue of that agency's technical and institutional advantages in this field; this would adhere to the requirements in chapter GS-403 of the Procurement Manual (paragraph 3.21), and (b) that three consultants with expertise in the fields of Customs and computer systems be hired directly. ANB hired these consultants in 1999, with World Bank funding, to start off Customs reform activities. The preparation, implementation, and execution of the project proposed here will depend on the continuing services of these consultants, who were engaged following World Bank procurement procedures. Given their specialized expertise in these fields and the fact that they are thoroughly familiar with the Customs reform effort, it is recommended that IDB loan proceeds be used to fund their continuing services, given the manifest technical need for same. This circumstance is provided for in the general procurement policy for consultant services (paragraph 3.20).

Goods will be purchased following the Bank's standard procedures. International open calls for proposals must be organized for any consulting contract worth over US\$200,000. International competitive bidding will be mandatory for the procurement of goods costing US\$350,000 equivalent and up.

The project will require numerous consulting and procurement contracts. To expedite the project and the Country Office's supervision work, it is recommended that the requirement of prior consultation with the Bank apply only for the selection and hiring of consultants or procurement of goods costing US\$20,000 equivalent or more. For consulting or procurement contracts below that threshold, shopping (solicitation of at least three bids) would be required; all such contracts would be subject to ex post review.